



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: NorthPole
COUNTRY: China
FACTORY CODE: 7800151151I
MONITOR: Global Standard Consultant
Service
AUDIT DATE: September 13 – 14, 2010
PRODUCTS: Knitted Tops, Knitted
Bottoms
PROCESSES: Cutting, Sewing, Inspection,
Packing, Printing
NUMBER OF WORKERS: 339

FLA Comment: This report was submitted to the FLA and the FLA-affiliated company by the accredited independent external monitor. NorthPole, formerly participating as a Category B collegiate licensee, has ceased university-licensing business and, therefore, FLA affiliation. The FLA has encouraged the company to submit a corrective action plan and to continue remediation of the noncompliances raised in this report. As the FLA has not received an updated response from the company, the FLA is posting the IEM report in its current form.



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Wages, Benefits and Overtime Compensation: Accurate Calculation and Recording of Wage Compensation

WBOT.17 All payments to workers, including hourly wages, piecework, benefits, bonuses, and other incentives shall be calculated and recorded accurately. (S)

Noncompliance

Explanation: 1. While attendance records show overtime, there is no overtime premium on wage records.

2. There are a number of items in the payroll which the factory cannot present/explain related to calculations, i.e. quality, cooperation, productivity bonus, meal allowance, incentive, and housing allowance.

Sources: wage and attendance records of (May-July 2010)

Plan Of Action: Request the factory to establish accurate calculations and recording of wage compensation. The standard will include calculation method and structure of the wage. Method of calculating wages, allowances, overtime, etc. would be conveyed in a clear and concise manner to all employees. Wage policy will be established based on labor laws. Factory will keep accurate payment records for all employees.

Deadline Date: 02/28/2011

Action Taken: First, the factory established an accurate calculation for wage compensation. Then, they trained all employees on the wage policy and how to understand how to count their wages each month. After, the factory keeps accurate payment records for all employees.

Plan Complete: Yes

Plan Complete Date: 02/28/2011



Wages, Benefits and Overtime Compensation: False Payroll Records

WBOT.19 Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason. Payroll records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: When comparing attendance and wage records, it was noted that overtime was stated on attendance records, but not on wage records. Therefore, according to the records, there is no evidence that the factory pays workers an overtime premium.

Plan Of Action: Request the factory to establish accurate calculations and recording of wage compensation. The standard will include calculation method and structure of the wage. Method of calculating wages, allowances, overtime, etc. would be conveyed in a clear and concise manner to all employees. Wage policy will be established based on labor laws. Factory will keep accurate payment records for all employees.

Deadline Date: 02/28/2011

Action Taken: First, the factory established an accurate calculation for wage compensation. Then, they trained all employees on the wage policy and how to understand how to count their wages each month. After, the factory keeps accurate payment records for all employees.

Plan Complete: Yes

Plan Complete Date: 02/28/2011

Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Noncompliance

Explanation: **FLA Comment:** The Chinese constitution guarantees Freedom of Association (FOA); however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union - the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of Oct. 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In Dec. 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Auditors' comment: The trade union in the factory is under the ACFTU, which is contrary to the fundamental principles of freedom of association of ILO standards.

Plan Of Action: As all know, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. We will foster a sense of autonomy by organizing after hours activities, which will be conducted by employees. We are planning a schedule and will decide the type of activities for the employees. We will encourage them to discuss problems in the workplace and to give suggestions to management. We may nurture an awareness of their rights on freedom of association by 2012.

Deadline Date: 07/31/2012

Action Taken: Informed and trained employees that they had the right to discuss problems together, and brought up their advice.

Plan No
Complete:

Plan
Complete
Date:

Freedom of Association: Grievance Procedure

FOA.26 Employer shall have in place written grievance procedures that allow first an attempt to settle grievances directly between the worker and the immediate supervisor but that, where this is inappropriate or has failed, it is possible for the worker to have the grievance considered at one or more steps, depending on the nature of the grievance and the structure and size of the enterprise. Employers shall ensure that the grievance procedures and applicable rules are known to workers. (P)

Noncompliance

Explanation: There is a grievance policy in the factory. However, no written records are kept.

Plan Of Action: Company to ask factory to establish a grievance policy. A grievance form will be created and provided to employees as necessary. The forms will then be kept as a record.

Deadline Date: 12/31/2010

Action Taken: Establish a grievance policy and train all employees to understand that there is a grievance policy for them to appeal. Also, a grievance form was created to keep records.

Plan Yes
Complete:

Plan 12/31/2010
Complete
Date:

Harassment or Abuse: Discipline/Review of Disciplinary Action

H&A.3 The disciplinary system shall include possibilities for workers to have disciplinary action imposed on them reviewed by someone at a higher managerial position than the manager who imposed the disciplinary action. In addition, such a system shall include the ability of a worker to appeal and/or question any disciplinary action against him or her and/or have a third party of his or her choice present when the disciplinary action is being imposed. (P)

Noncompliance

Explanation: The disciplinary system did not include the ability of a worker to appeal and/or question any disciplinary action against them and/or have a third party of their choice present when the disciplinary action was being imposed.

Plan Of Action: According to the FLA standards, the company will request factory to update the disciplinary system to provide an appeal process so workers can have a third party present when disciplinary action is imposed.

Deadline Date: 03/31/2011

Action Taken: Updated the disciplinary system according to the FLA standards. Train all employees to know that they have right to have a third party of their choice present when the disciplinary action is being imposed.

Plan Complete: Yes

Plan Complete Date: 03/31/2011



Harassment or Abuse: Discipline/Worker Awareness and Participation of Workers

H&A.6 Workers must be informed when a disciplinary procedure has been initiated against them. Workers have the right to participate and be heard in any disciplinary procedure against them. Employers shall maintain written records of all disciplinary actions taken. Workers must sign all written records of disciplinary action against them. Such records must be maintained in the worker's personnel file. (P)

Noncompliance

Explanation: Disciplinary records were not kept in workers' personnel files; there were no worker signatures indicating acceptance of disciplinary actions. According to management, there are no records kept on file.

Plan Of Action: Factory said they did not have disciplinary actions before. Now, once factory updates the disciplinary system, updated system will stipulate that workers' signatures and disciplinary records must kept in workers' personnel files.

Deadline Date: 03/31/2011

Action Taken: Factory updated disciplinary system. It would be including the regulation that worker' signatures must be in the disciplinary record. And from now on, disciplinary records will be kept in workers' personnel files.

Plan Complete: Yes

Plan Complete Date: 03/31/2011



Harassment or Abuse: Discipline/Monetary Fines and Penalties

H&A.8 Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies. (S)

Noncompliance

Explanation: Auditors found that there are fines between RMB 5-10 for issues such as swiping time cards for others, late arrival, wearing factory slippers at home, as noted on the announcement at the factory's entrance. Based on wage records, there are indeed fines in practice.

Plan Of Action: Request factory to cancel deductions for these infractions as per FLA standards.

Deadline Date: 01/31/2011

Action Taken: Cancelled unreasonable policy in factory and train employees to understand. HR is responsible for regularly checking that the policy is implemented.

Plan Complete: Yes

Plan Complete Date: 01/31/2011

No Child Labor: Employment of Young Workers

CL.6 Employers shall comply with all relevant laws that apply to young workers (i.e., those between the minimum working age and the age of 18) including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime. (P)

Noncompliance

Explanation: Factory should set up a complete policy which covers job arrangements, physical examinations and registration at the local labor bureau. There were 5 young workers found at this factory without registration or physical examinations.

Source: Protection Act of Young Worker of China

Plan Of Action: Request factory to establish a policy and procedure for the protection of young workers. Inform factory to register young workers with the local labor bureau and arrange annual physical examinations, along with suitable job placements.

Deadline Date: 05/31/2011

Action Taken: Establish a policy and procedure for the protection of young workers based on local law and FLA standards before December 2010. Then, register young workers with local labor bureau and arrange physical examinations before May 2011. HR is assigned to check this issue.

Plan Complete: Yes

Plan Complete Date: 05/31/2011



Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

Noncompliance

Explanation: There are no occupational physical examinations provided to workers, especially for printing section and spot removal workers.

Source: China's Occupational Disease Protection Act

Plan Of Action: Request that occupational physical examinations are provided to required workers in December 2010. This practice will be continued on an annual basis.

Deadline Date: 12/31/2010

Action Taken: Arrange occupational physical examinations for required workers in December 2010.

Plan Complete: Yes

Plan Complete Date: 12/28/2010

Health and Safety: Permits and Certificates

H&S.8 The employer shall at all times be in possession of all legally required and valid permits and certificates related to health and safety issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal. (P)

Noncompliance

Explanation: Waste of toxic items should be stored separately, and should be disposed of by a certified waste disposal company. The contract on the disposal of dangerous waste expired in February 2010.

Source: China's Solid Waste Pollution Control Act

Plan Of Action: Factory to contract a certified waste disposal company.

Deadline Date: 02/28/2011

Action Taken: Search certified waste disposal companies and local environmental government organization on the web. There is 1 certified waste disposal company in [City name]; factory contracted with the company to deal with the hazardous waste.

Plan Complete: Yes

Plan Complete Date: 02/28/2011

Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Noncompliance

Explanation: There are a number of fire hoses blocked by material, such as in the warehouse on the 1st floor, the packing department on the 2nd floor, and the sewing department on the 3rd floor. Aisles on the first floor are further blocked by goods. There were 2 exit doors locked, in the testing department on the 1st floor and in the warehouse on the 4th floor. Finally, there are exit signs blocked by material, like in the sewing department on the 2nd floor.

Plan Of Action: Advise factory to train all employees on keeping fire passages, evacuation exits, and exit signs unblocked. To ensure this, the team leader in the workshop will inspect on site. Factory will check all exit doors and keep them open during work hours. Workshop leaders will inspect their areas to keep exit signs unblocked.

Deadline Date: 02/28/2011

Action Taken: Train all employees on EHS (Environment Healthy Safety), so they know the importance of keeping fire equipment available; aisles clear; evacuation exit door open; and exit signs unblocked. Establish a plan arranges for workshop leaders to inspect safety matters.

Plan Complete: Yes

Plan Complete Date: 02/28/2011

Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

Explanation: 1. There should be at least 2-5 fire extinguishers together as a group in the same location. The original factory set up at factory is 3 as a group. However, there is only 1 left in some locations, like in the warehouse on the 1st floor and in the printing department on the third floor.

2. Fire house box glass was broken in the warehouse.

3. Fire equipment is not inspected on a routine schedule. The last inspection was in May 2010.

4. There are no explosion-proof lamps in the warehouse on the 2nd floor.

5. No first aid kits are available in any working areas.

Legal Reference: Fire Regulations of China

Plan Of Action: Advise factory to train all employees on understanding that fire fighting equipment must be protected and not broken. Employees have been instructed to report broken fire equipment to their supervisor. Factory has grouped fire extinguishers with 3 per group and given new glass for to the broken fire hose box. Factory assigned 1 person to inspect fire equipment on a routine schedule; change broken equipment; and keep inspections record available. Factory has installed explosion-proof lamps in the warehouse on the 2nd floor. Factory provided first aid kits for every floor and workshop.

Deadline Date: 02/28/2011

Action Taken: Correct the problem in the factory. Arrange for factory management to study safety knowledge, including fire fighting safety requirements; warehouse safety requirements; and first aid requirements for the workshop. Arrange training for employees. The team leaders for the workshop and warehouse will inspect fire equipment and first aid kit.

Plan Complete: Yes

Plan 02/28/2011

Complete

Date:

Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

Noncompliance

Explanation: Employer should provide protective protection equipment (PPE) to workers to ensure their safety. Workers did not wear/use PPE, such as steel gloves in the cutting department, and masks, gloves, and boots in the printing department.

Source: Safety Production Act

Plan Of Action: Informed by factory that they provided enough PPE for workers to wear/use. So company is to ask factory to give more training to employees to strengthen their safety awareness and have them better understand the importance of wearing/using PPE while working.

Deadline 02/28/2011

Date:

Action Taken: On condition factory provides enough PPE for workers to wear/use, factory is to arrange training for employees so they know the importance of wearing/using PPE while working. Also, team leaders in workshop should inspect PPE conditions and PPE usage routinely.

Plan Yes

Complete:

Plan 02/28/2011

Complete

Date:

Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Noncompliance

Explanation: There is no designated person in charge of chemical material management. Chemicals are located everywhere; of particular concern are spot removal and dust removal agents in the warehouse and packing area that are stored in the same area as other goods. There is no secondary protection container of chemical materials, either.

Legal Reference: Dangerous Chemical Items of Safety Management Act

Plan Of Action: Ask factory to assign 1 person to be in charge of chemical material management, who will be trained to take care of chemical materials, such as secondary protection containers for the materials that need them. There will be an independent area for the separation of chemical materials from production goods.

Deadline Date: 02/28/2011

Action Taken: The facility's layout opens up and there is an independent area for the separation of chemical materials. Chemical materials must be stored separately by December 2010. Then, the factory should assign 1 person to be in charge of chemical material management and then send them to training.

Plan Complete: Yes

Plan Complete Date: 02/28/2011

Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

Noncompliance

Explanation: Factory should post the MSDS at working areas. There are no MSDS posted in the printing area. Factory does not have MSDS on hand, such as one for the ink used in the printing department and one for the "super spot removal agent" in the packing department.

Legal Reference: Handbook of Safety with Chemical Materials

Plan Of Action: Factory posted MSDS in working areas where all chemical materials are used. Workshop team leader will inspect to make sure they are always posted.

Deadline Date: 01/31/2011

Action Taken: Factory posted MSDS in working areas a few days after the audit. Factory arranged for team leaders to inspect to make sure they are always posted.

Plan Complete: Yes

Plan Complete Date: 01/31/2011

Health and Safety: Drinking Water

H&S.26 Safe and clean drinking water shall be freely available at all times, within reasonable distance of the workplace. Drinking water shall be of a reasonable temperature and the means to drink water (cups, etc.) must be safe and sanitary and available in an appropriate number. (S)

Noncompliance

Explanation: Factory should provide clean and sanitary water to workers. Drinking water is located in the same place as the chemical materials in the printing department. There are no test reports on the drinking water, either.

Legal Reference: Law of Safety with Food

Plan Of Action: Factory separated drinking water from chemical materials. Drinking water was sent for testing.

Deadline Date: 02/28/2011

Action Taken: Send drinking water for testing and give the report. Report shows that it is qualified. Opened area far from the chemical material storage area as a drinking room for employees to drink; it also can store the drinking water.

Plan Complete: Yes

Plan Complete Date: 02/28/2011

Hours of Work: General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

Noncompliance

Explanation: Workers worked overtime from 6:00pm to 10:00pm or 11:00pm. Total overtime hours reached 130-142.5 hours per month.

Source: attendance records (May-August 2010)

Legal Reference: Based on China Labor Law, the maximum overtime hours cannot be over 3 hours per day and 36 hours per month.

Plan Of Action: Factory management said that May through Aug is the factory's peak season. Overtime exceeded Chinese Labor Law standards in the factory in order to fulfill orders. Factory will be advised to control overtime, especially in the peak season, hiring more employees and giving more training to employees could improve work efficiency. Factory is to ensure that workers' OT work is voluntary; HR is responsible for administering the working hour system. Factory is to establish a plan to cut down on OT and will follow up this plan to comply with the local law. .

Deadline Date: 12/31/2012

Action Taken: Factory has controlled overtime and the work time per day and per month in the factory to comply with most customers' standards. It is a priority for HR to question all employees/supervisors if overtime is extremely high. Factory has now hired more employees and cut down on overtime. Factory management will consider the orders and the factory's capacity and capability to reduce OT. Will establish team to control and check the implementation of this.

Plan Complete: No

Plan Complete Date: 12/31/2012

Hours of Work: Rest Day

HOW.2 Workers shall be entitled to at least one day off in every seven-day period. If workers must work on a rest day, an alternative day off must be provided within that same seven-day period or immediately following the seven-day period. (P)

Noncompliance

Explanation: Workers did not take 1 day off in every 7 days. Workers worked continuously for 19 days in May, 12 days in June, 19 days in July, and 11 days in August.

Source: attendance records (May-August 2010)

Plan Of Action: May through Aug is the factory's peak season. Overtime exceeded the Chinese Labor Law standards in the factory in order to fulfill orders. Factory will be advised to control the overtime and ensure that employees have less, especially in peak season, by hiring more employees and giving more training to employees to improve their work efficiency and also provide at least 1 day off a week.

Deadline Date: 07/31/2011

Action Taken: Factory has controlled overtime and working time per day and per month in the factory to comply with most customers' standards. It is a priority for HR to question all employees/supervisors if overtime is extremely high. Factory has now hired more employees and cut down on overtime and to ensure at least 1 day off in a week. Factory had an internal audit and will be sure that workers have 1 day of leave every 7 days.

Plan Complete: Yes

Plan Complete Date: 07/28/2011
